

Idaho Legislative Audits  
P.O. Box 83720  
Boise, ID 83720-0054  
208-334-2475



## Idaho Division of Professional-Technical Education

### Management Report on Financial Procedures

Issued: July 20, 2004  
Fiscal Year: 2001, 2002, and 2003



## EXECUTIVE SUMMARY LEGISLATIVE AUDITS

---

### DIVISION OF PROFESSIONAL-TECHNICAL EDUCATION

---

**PURPOSE AND SCOPE.** We have completed certain financial audit procedures on the Division of Professional Technical Education's financial activities that occurred during the fiscal years ended June 30, 2001, 2002, and 2003. These procedures, together with procedures performed at other State agencies, allow us to express our opinion on the statewide basic financial statements prepared by the State Controller's Office. Since a major federal program was present, appropriate procedures and required tests were made in order to issue the federally required Single Audit.

**CONCLUSION.** There are no findings included in this report. Although we discussed other issues for improvement, we conclude that the financial operations of the Division meet accepted standards and that the Division's substantially complies with laws, regulations, rules, grants, and contracts for which we tested compliance.

**FINDINGS AND RECOMMENDATIONS.** There are no current findings and recommendations.

**PRIOR FINDINGS AND RECOMMENDATIONS.** There were two findings and recommendations in the prior report.

**Prior Finding #1.** Monitoring of contracts should be improved to ensure services paid for are actually received. The Division contracts hardware and software support services for its administrative and program activities. Periodically, the Division may also contract consulting services for special projects related to the administration of technical education programs. We found the following weaknesses in two of the contracts. One contract was at the end of the contract period and the Division had paid one-third of the contract fee but had not yet received the final report. The second contract the Division treated as a warranty type agreement, without specifically monitoring the work received, even though the contract included detailed terms for the amount of services and rates charged.

Monitoring contracts ensures that services paid for are actually received and that contract provisions are completed as agreed upon, in a timely manner.

**We recommended** that the Division monitor agreements more closely for compliance with the related terms and conditions to ensure services paid for are received.

The Division agreed with the recommendation and has taken steps to address the specific issues related to the above mentioned contracts. The consultant contract was completed, the final report received in June 2001, and the balance of the contract paid. The contract with the Department of Education's Bureau of Technology Services has been rewritten to provide for monthly maintenance services based on a fixed monthly amount. Any additional programming services will be negotiated on an as needed basis. Also, the Division supervisors have met to review the entire contract monitoring process for areas of additional improvement.

**Status: CLOSED**

**Prior Finding #2.** Internal control improvements over travel-related expenditures in the School-to-Work program would ensure that the program's costs are in compliance with Idaho Code. The School-to-Work program was administered under a cooperative *Memorandum of Understanding*. The State Board of Education had administrative authority and responsibility for approving certain expenditures. The State Board employed a School-to-Work executive director to manage the program. The Division's responsibilities were to process financial transactions and maintain accounting records. However, not all the reviews and approvals included in the *Memorandum of Understanding* were followed.

**We recommended** that in the future, all parties involved in cooperative grant management establish controls including appropriate supervisory review and approval, in order to ensure that such transactions are proper, valid, and comply with Idaho Code.

The Division agreed with the finding and has made the appropriate parties aware of the need to follow good internal control procedures. Since the School-to-Work program has ended and is being closed, this issue will effect future cooperative grant agreements.

**Status: CLOSED**

**AGENCY RESPONSE.** The Division has reviewed the report and is in general agreement with its contents.

**FINANCIAL SUMMARY.** The procedures completed and described above help us express our opinion on the fairness of presentation of the *Statewide Comprehensive Annual Financial Report (CAFR)*. Although no opinion is given on the financial data presented in this report, one is given on all State funds in the *CAFR*, including the financial data presented here.

During fiscal year 2003, the Division was funded primarily by a \$41.7 million General Fund appropriation. Other sources of income were \$8.3 million in federal grants and \$717,000 in miscellaneous receipts. These funds were used to pay for personnel costs of \$2.4 million, operating costs of \$418,000, capital outlay of \$8,000, and trustee and benefit payments of \$50.6 million.

## **DIVISION OF PROFESSIONAL-TECHNICAL EDUCATION – FINANCIAL SUMMARY**

	Hazardous Waste					Total
	General	Displaced	Materials		Miscellaneous	
	Fund	Homemaker	Transport	Federal	Revenue	
	0001	0218	0274	0348	0349	
<b>Fiscal Year 2001</b>						
Beginning Fund Balance	\$43,045,534	\$241,587	\$0	(\$3,893,770)	\$1,082,315	\$40,475,666
Beginning Encumbrances	5,857,210	49,844	94,817	3,900,146	0	9,902,017
Receipts	146	151,545	66,800	9,276,588	1,305,707	10,800,786
Total Funds Available	\$48,902,890	\$442,976	\$161,617	\$9,282,964	\$2,388,022	\$61,178,469
Disbursements	43,622,096	207,965	98,075	9,278,993	1,197,404	54,404,533
Ending Encumbrances	5,156,974	0	63,542	4,050,033	0	9,270,549
Ending Free Fund Balance/Reversion	\$123,820	\$235,011	\$0	(\$4,046,062)	\$1,190,618	(\$2,496,613)

	Hazardous Waste					Total
	General	Displaced	Materials		Miscellaneous	
	Fund	Homemaker	Transport	Federal	Revenue	
	0001	0218	0274	0348	0349	
<b>Fiscal Year 2002</b>						
Beginning Fund Balance	\$45,826,688	\$235,011	\$0	(\$4,046,062)	\$1,190,618	\$43,206,255
Beginning Encumbrances	5,156,974	0	63,542	4,050,033	0	9,270,549
Receipts	0	154,120	66,800	9,122,573	854,867	10,198,360
Total Funds Available	\$50,983,662	\$389,131	\$130,342	\$9,126,544	\$2,045,485	\$62,675,164
Disbursements	45,126,754	170,000	117,199	9,121,334	1,253,003	55,788,290
Ending Encumbrances	5,856,908	0	13,143	4,289,978	0	10,160,029
Ending Free Fund Balance/Reversion	\$0	\$219,131	\$0	(\$4,284,768)	\$792,482	(\$3,273,155)

	Hazardous Waste					Total
	General	Displaced	Materials		Miscellaneous	
	Fund	Homemaker	Transport	Federal	Revenue	
	0001	0218	0274	0348	0349	
<b>Fiscal Year 2003</b>						
Beginning Fund Balance	\$41,714,737	\$219,131	\$0	(\$4,284,768)	\$792,482	\$38,441,582
Beginning Encumbrances	5,856,908	0	13,143	4,289,978	0	10,160,029
Receipts	0	153,315	66,800	8,388,309	497,383	9,105,807
Total Funds Available	\$47,571,645	\$372,446	\$79,943	\$8,393,519	\$1,289,865	\$57,707,418
Disbursements	44,153,018	170,000	47,581	8,388,199	718,404	53,477,202
Ending Encumbrances	3,418,626	0	32,362	4,355,549	0	7,806,537
Ending Free Fund Balance/Reversion	\$1	\$202,446	\$0	(\$4,350,229)	\$571,461	(\$3,576,321)

**OTHER ISSUES.** In addition to the findings and recommendations, we discussed other, less important issues which, if changed, would improve internal control, ensure compliance, or improve efficiency.

This report is intended solely for the information and use of the Division and the Idaho Legislature and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the cooperation and assistance given us by the administrator, Mike Rush, and his staff.

**QUESTIONS CONCERNING THIS DOCUMENT SHOULD BE DIRECTED TO:**

Ray Ineck, CGFM, Supervisor, Legislative Audits

Eugene Sparks, CPA, CGFM, Managing Auditor

Report SA50303/IC50303

For a copy of the entire audit report , contact Legislative Services Office, Audit Division, State Capitol Building, 700 W. Jefferson Street, P.O. Box 83720, Boise, Idaho 83720-0054, or call 208-334-3540.
--